

Answers to practice questions from Unit 1.

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| 1. D | 14. C – technology and education can shift a PPC line |
| 2. B | 15. D |
| 3. E (concave/convex not something you need to worry a lot about) | 16. C |
| 4. C | 17. B |
| 5. C (the “free” thing is questionable) | 18. C |
| 6. B | 19. D |
| 7. E (all are limited and desirable) | 20. E – fewer total workers = fewer total resources |
| 8. B | 21. C |
| 9. C | 22. C |
| 10. B | 23. A |
| 11. A (not a question you would normally get) | 24. B |
| 12. C | 25. A |
| 13. C – PPCs don’t show prices. D is incorrect because the PPC already takes into account all workers – unemployed and employed. Eliminating unemployment would move from A to C for example. | 26. B |
| | 27. D – NOT ON TEST |
| | 28. D – NOT ON TEST |
| | 29. E |
| | 30. B |

Sample Test Questions

5. A decrease in the price of silicon chips used to make computers and increased production of user-friendly software will affect the price and quantity of computers in which of the following ways?

	<u>Price</u>	<u>Quantity</u>
A.	Increase	Increase
B.	Unknown	Decrease
C.	Increase	Unknown
D.	Decrease	Decrease
E.	Unknown	Increase

10. Specifically speaking, in economic terms all of the factors of production are represented by

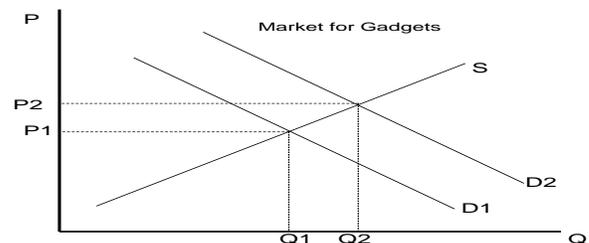
- A land, labor, capital, and money
- B human resources, natural resources, capital resources, and entrepreneurship
- C human resources, natural resources, capital resources, and time
- D land, labor, natural resources, renewable resources, non-renewable resources, and people
- E human resources, physical capital, entrepreneurship, and government resources

16. All of the following may cause a supply curve to shift EXCEPT:

- A. A government imposed quota
- B. A change in technology.
- C. A change in consumer’s expectations.
- D. A new business tax.
- E. A change in the price of resources.

9. “As the price of apples goes up, the demand for apples goes down.” The author of this statement:

- A. implies that price and demand are unrelated
- B. uses the word “demand” when he should use “supply.”
- C. uses the word “demand” when he should use “demand curve”
- D. implies that price and demand are complements.
- E. uses the word “demand” when he should use “quantity demanded”



43. How is the law of supply represented in the graph?

- A The increase from D1 to D2 caused supply to increase from Q1 to Q2.
- B The increase in Demand caused the Supply to increase from Q1 to Q2.
- C As quantity supplied increased from Q1 to Q2, price increased from P1 to P2.
- D The law of supply is not represented in the graph because it is a demand shift.
- E As price increases from P1 to P2, quantity supplied increased from Q1 to Q2.

38. If demand increases, but supply decreases

- A. Price is unknown, quantity is unknown
- B. Price will increase, quantity will increase
- C. Price will decrease, quantity will decrease
- D. Price will decrease, quantity will increase
- E. Price will increase, quantity may not change

23. If substitutes for a good are cheap and easily available, the good will tend to have

- A. elastic demand
- B. inelastic demand
- C. income effect
- D. substitution effect
- E. greater quantity demanded